

COMMITTEE ON GOVERNMENT REFORM
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NEWS RELEASE

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**DAVIS AND HUNTER ANNOUNCE CREATION OF DOD
NATIONAL SECURITY PERSONNEL SYSTEM
*Legislation Reforms Decades Old Pentagon System***

Washington, DC – The chairmen of the House Armed Services Committee and the House Government Reform Committee announced today that congressional negotiators have concluded work on legislation that would create a National Security Personnel System for civilians in the Department of Defense.

The provisions creating the NSPS are contained in H.R. 1588, the National Defense Authorization Act for Fiscal Year 2004, which was agreed to yesterday by House-Senate conferees. The legislation sets policies, programs and funding levels for the nation's military.

Congressman Duncan Hunter (R-CA) heads the Armed Services Committee and Congressman Tom Davis (R-VA) chairs the Government Reform Committee. "The legislation is a key step in Defense Secretary Donald Rumsfeld's effort to transform the Pentagon into an agency better able to meet today's diverse national security threats," the chairmen said in a joint statement.

With jurisdiction over Federal personnel policy, the Government Reform Committee took the lead in approving the legislation developed by Chairmen Davis and Hunter. On May 7, the Government Reform Committee approved the new civilian personnel system for the Department of Defense and a week later, the Armed Services Committee approved the same bill. The full House took up the measure on May 22 and passed it.

"This agreement opens the door for meaningful transformation of the Department of Defense by authorizing a civilian National Security Personnel System," the chairmen stated.

"The new system will bring the Department into the 21st century and allow the Department to recruit the best and the brightest civilian employees. The fact is that we need a civilian workforce that is more agile and effective than it was during the cold war or has been in past decades.

“We believe the new system will relieve Pentagon civilians from old thinking, old rules, and old relationships, while preserving merit principles, respecting the contribution of employee representatives, and protecting veterans' preferences.

“In doing so, DOD will be able to make the civilian workforce an essential component of its transformation into an agency better able to meet today’s diverse national security threats.”

The National Security Personnel System established in this bill will provide the Secretary of Defense agility in hiring, firing, and promoting a more responsive workforce; authority to tie pay to performance (rather than only longevity); authority to establish a new system for appraising performance; flexibility in classifying positions, administering pay and allowances; flexibility in determining a dispute resolution process for negotiating with employee representatives; and a more responsive employee grievance process.

Specific provisions include:

- **Merit-based System.** The bill establishes a merit-based system that includes hiring based on merit, fair treatment without regard to political affiliation, equal pay for equal work, veterans preferences and protection for whistleblowers. Employees will be involved in developing the new system, which will be prescribed by regulations issued jointly by the Secretary and the Director of the Office of Personnel Management.
- **Collaborative Processes.** The new system ensures the inclusion of employee representatives in planning, development, and implementation of a new human resources management system. There also will be a separate process to ensure that employee representatives participate in the development and implementation of a new labor management relations system.
- **Performance Management System.** The new system includes a fair, credible, and transparent employee performance appraisal system that provides for adequate training and retraining for supervisors, managers and employees, as well as a process for ensuring ongoing performance feedback and dialogue.
- **Staffing Flexibilities.** The bill provides the Secretary additional flexibility in: establishing qualification requirements for, recruitment for, and appointments to positions; assigning, reassigning, detailing, transferring, or promoting employees; and reducing overall agency staff and grade levels.
- **Increased SES Pay Caps and Pay Pool Protection.** The bill increases the cap on total annual compensation for Senior Executives Service employees – including allowances, differentials, bonus, awards, and other payments – to the level of the Vice President's total annual compensation. Further, it requires DOD, to the maximum extent practicable, to maintain funding levels in FY 2004-2008 for civilian personnel compensation as would otherwise have been allocated had the NSPS not been established.
- **Appeals Process.** The bill establishes a new, more responsive, independent review process that will ensure employees receive fair treatment in any appeals they raise regarding decisions related to their employment. The process will retain outside third party review under standards established by Department regulations.
- **Early Retirement Program.** The bill creates a program under which up to 25,000 employees a year will be eligible for voluntary early retirement annuities, offered

separation pay to leave service voluntarily, or both, for purposes of reducing or restructuring the workforce.

- **Hiring of Experts.** In order to secure critical expertise, the bill authorizes the Secretary to hire up to 2,500 highly qualified personnel with uniquely critical technical, scientific, and management skills at appropriate pay for up to five years.
- **Rehired Annuitants.** Similar to existing authority permitting retired military personnel to work for the federal government without any offset to their retired pay, the bill extends such authority to rehired civil service annuitants that join the Department of Defense civilian workforce. The purpose is to ensure that critical skills needed in the national security arena are retained.
- **Alignment.** The bill provides that the allowances and benefits of civilian employees working outside the U.S. in particularly hazardous or specialized activities are comparable with those of the Foreign Service and the Central Intelligence Agency.

The bill will be passed by the House today and by the Senate next week, and then sent to President Bush for his signature and enactment into law.

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